

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Mt. Carmel Public Utility Company	:	
	:	09-0543
Reconciliation of revenues	:	
collected under gas adjustment	:	
charges with actual costs	:	
prudently incurred.	:	

ORDER

By the Commission:

The Illinois Commerce Commission ("Commission") entered an Order commencing the instant purchased gas adjustment ("PGA") reconciliation proceeding, in accordance with the requirements of Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq. That Order directed Mt. Carmel Public Utility Company ("Mt. Carmel" or "Company") to present evidence at a public hearing to "show the reconciliation of PGA revenues with the actual cost of such gas supplies obtained through purchases demonstrated by the [utility] to be prudent, and the measures taken to insulate the PGA from price volatility . . ." for the 12 months ended December 31, 2009 (the "reconciliation period" or "reconciliation year").

Pursuant to due notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois. Appearances were entered by counsel for Mt. Carmel and by members of the Energy and Financial Analysis Divisions of the Commission ("Staff"). Evidence was presented by Mt. Carmel and Staff, and at the conclusion of the hearings, the record was marked "Heard and Taken."

Applicable Authority

In accordance with Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a purchased gas adjustment clause. Section 9-220(a) requires the Commission to initiate annual public hearings "to determine whether the clauses reflect actual costs of . . . gas . . . purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of . . . gas . . . prudently purchased." In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs.

For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code Part 525, "Uniform Purchased Gas Adjustment Clause." Section 525.40 of Part 525 identifies gas costs which are recoverable through PGA. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

Nature of Operations; Procurement Strategies and Procedures

Mt. Carmel is a combination electric and gas utility based at Mt. Carmel, Illinois. The company provides gas service to approximately 3,574 customers, of whom 3,212 are residential customers located in various communities in Wabash and Lawrence Counties in Illinois.

During the reconciliation year, the gas volume supplied for the actual peak day on January 15, 2009 was 4,401 dekatherms.

Pipeline capacity of 5,214 dekatherms/day maximum was provided by Texas Eastern Transmission Co.

An explanation of the gas load forecasting methods used by Mt. Carmel to forecast daily, short-term, long-term, and peak demand load requirements for the reconciliation period were provided. (Mt. Carmel Ex. 2.0 at 1.16)

In 2009, the Company purchased all its gas supply from Atmos Energy Marketing ("AEM"). The volumes from AEM are subject to several layered contracts that overlap in time or duration. The layering of purchases under multiple agreements is intended to allow "for not only full requirements reliability but also to give the Company the ability to purchase fixed price quantities as market prices and conditions dictate." (Mt. Carmel Ex. 2.0 at 1.3) Prospectively, a "Request for Proposal (RFP) will be issued in advance of the expiration of the most distant gas purchase contract for April, 2011." (Mt. Carmel Ex. 2.0 at 1.19, 1.55 Amended, 1.57)

Hedging and risk management strategies used or to be used by Mt. Carmel were further described in Mt. Carmel filings. (Ex. 2.0 at 1.55 Amended)

Mr. Brett Seagle of the Engineering Department of the Commission's Energy Division testified that he reviewed Mt. Carmel's filing, as well as responses to numerous data requests concerning the prudence of its gas purchases during the reconciliation period. Using the Commission's criteria for determining prudence, Mr. Seagle found no reason to question the prudence of gas purchases made during the reconciliation period.

Mr. Seagle also testified that if Mt. Carmel continues to hedge a portion of its gas supply, it should develop a formal written hedging policy for the 2011-2012 heating season. Mr. Seagle suggested submitting the plan to the ICC Staff for review before implementation.

The Company indicated at the hearing that it had no objection to Mr. Seagle's recommendation regarding a formal written hedging policy for the 2011-2012 heating season.

Reconciliation of PGA Revenues and Gas Costs

Mr. Philip Barnhard IV, President of Mt. Carmel, sponsored Exhibit G-2 showing the reconciliation of revenues and commodity and non-commodity gas costs, including Mt. Carmel's requested ordered reconciliation factor.

Ms. Mary Everson of the Accounting Department of the Commission's Financial Analysis Division reviewed Mt. Carmel's Reconciliation shown on Exhibit G-2 and the underlying documents which support the calculations. Ms. Everson recommended that various adjustments be made to correct errors in Mt. Carmel's proposed Commodity Gas Charge reconciliation schedule and Non-Commodity Gas Charge reconciliation schedule. With her adjustments, Ms. Everson recommends that a Commodity Gas Charge Factor O refund of \$765 and a Non-Commodity Gas Charge Factor O collection of \$1 be made through the gas charge in the first monthly PGA filing after the date of the order in this docket.

At the hearing, Mt. Carmel accepted Ms. Everson's adjustments and recommendation, which are set forth in ICC Staff Exhibit 1.0, Schedule 1.1.

Commission's Conclusions, Findings and Ordering Paragraphs

The Commission concludes that the 2009 PGA reconciliation for Mt. Carmel, as shown in Staff Exhibit 1.0, Schedule 1.1 and in the in the Appendix hereto, appropriately reconciles the revenues collected by Mt. Carmel under its PGA for calendar year 2009 with the actual costs prudently incurred for the purchase of gas supply.

Such reconciliations, which reflect recoverable PGA costs of \$2,872,886, actual PGA recoveries of \$2,902,603, and other appropriate adjustments and calculations, are reasonable and should be approved. As recommended by Ms. Everson, a Commodity Gas Charge Factor O refund of \$765 and a Non-Commodity Gas Charge Factor O collection of \$1 shall be made through the gas charge in the first monthly PGA filing after the date of this order.

The Commission, having considered the entire record, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged, among other things, in the distribution of natural gas to the public in portions of the State of Illinois and is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over Mt. Carmel and the subject matter of this proceeding;

- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the evidence shows that for the calendar year 2009 reconciliation period, Mt. Carmel acted prudently in its purchases of natural gas;
- (5) the reconciliation of the revenues collected by Mt. Carmel under its PGA for calendar year 2009 with the actual costs prudently incurred for the purchase of gas supply, as shown in Staff Exhibit 1.0, Schedule 1.1 and in the Appendix hereto, should be approved.

IT IS THEREFORE ORDERED that the reconciliation of the revenues collected by Mt. Carmel under its PGA for calendar year 2009 with the actual costs prudently incurred for the purchase of gas supply, as shown in Staff Exhibit 1.0, Schedule 1.1 and in the Appendix hereto, is approved.

IT IS FURTHER ORDERED that Mt. Carmel shall refund the Commodity Gas Charge Factor O of (\$765) and collect the Non-Commodity Gas Charge Factor O of \$1 in its first monthly PGA filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 23rd day of February, 2011.

(SIGNED) MANUEL FLORES

Acting Chairman